Mnquma Local Municipality
Annual Financial Statements
for the year ended 30 June 2014

General Information

Nature of business and principal activities	Mnquma Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)The municipality's operations are governed by:- Municipal Finance Management Act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations.
Mayoral committee	
Executive Mayor	Cllr B Ganjana - Executive Mayor
	Cllr Magadla - Speaker
	Cllr Mnqwazi - Chief Whip
Councillors	Cllr Mgandela - Portfolio Head: Strategic Management
	Cllr Sogayise - Portfolio Head: Budget and Treasury Office
	Cllr Ntanga - Portfolio Head: Corporate Services
	Cllr Bikitsha - Portfolio Head: Community Services
	Cllr Sheleni - Portfolio Head: Water and Sanitation
	Cllr Noganta - Portfolio Head: Special Programmes Unit
	Cllr Madikane - Portfolio Head: LED
	Cllr Ncetezo - Portfolio Head: Infrustructural Planning and Development
	Please refer to Note 37 for the full list of councillors
Grading of local authority	Grade 3
Accounting Officer	Mr. S. Tantsi
Chief Finance Officer (CFO)	Mr. L. Manjingolo
Business address	Corner King & Umtata Street BUTTERWORTH 4960
Postal address	P.O. Box 36 BUTTERWORTH 4960
Bankers	First National Bank
Attorneys	Mpeto & Associates Mangcotywa Ndzabela Associates Ross G. M. Sogoni ZYM Ndzabela Incorporated Smith Tabata Attorneys Sonamzi Mkata Attorneys Keithley Incorporated Velile Tinto & Associates

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AGSA	Auditor-General South Africa

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Mnquma Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Mnquma Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 73, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

Mr. S. Tantsi
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

The municipality is engaged in service delivery and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Mr. S. Tantsi

Statement of Financial Position as at 30 June 2014

Figures in Rand		Note(s)	2014	2013 Restated*
Assets				
Current Assets				
Inventories	30.20	8	8 947 809	12 652 565
Receivables from exchange transactions	31.20	9	8 030 259	5 520 850
Receivables from non-exchange transactions	33.20	10	12 223 855	7 199 884
VAT receivable	31.20	11	13 535 071	11 129 585
Cash and cash equivalents	32.20	12	91 060 467	61 826 464
			133 797 461	**98 329 348**
Non-Current Assets				
Investment property	21.20	4	717 334	717 334
Property, plant and equipment	20.20	5	488 321 331	498 576 174
Intangible assets	23.22	6	202 132	40 406
			489 240 797	**499 333 914**
Total Assets			**623 038 258**	**597 663 262**
Liabilities				
Current Liabilities				
Finance lease obligation	25.29	13	436 581	863 547
Payables from exchange transactions	51.20	16	38 767 561	33 989 866
Unspent conditional grants and receipts	43.20	14	31 788 171	21 684 051
			70 992 313	**56 537 464**
Non-Current Liabilities				
Finance lease obligation	25.29	13	553 681	1 018 622
Employee benefit obligation	27.22	7	7 043 000	3 708 000
Provisions	52.20	15	22 918 814	21 527 807
			30 515 495	**26 254 429**
Total Liabilities			**101 507 808**	**82 791 893**
Net Assets			**521 530 450**	**514 871 369**
Accumulated surplus	40.24		521 530 456	514 871 369

* See Note 2 & 36

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	3 470 257	3 436 176
Rental of facilities and equipment		2 114 023	2 168 314
Interest on outstanding debtors		2 911 929	2 461 889
Income from agency services		2 709 269	2 594 106
Licences and permits		953 033	1 013 057
Recoveries		-	615 864
Miscellaneous income		651 992	397 797
Donations		-	20 392 192
Interest received - investment		4 589 173	3 477 949
Total revenue from exchange transactions		**17 399 676**	**36 557 344**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	11 713 236	11 118 819
Transfer revenue			
Government grants & subsidies		219 174 895	215 351 246
Fines		1 372 010	1 384 495
Total revenue from non-exchange transactions		**232 260 141**	**227 854 560**
Total revenue	18	**249 659 817**	**264 411 904**
Expenditure			
Employee related costs	24	(100 779 050)	(87 549 854)
Remuneration of councillors	25	(22 154 723)	(20 371 860)
Depreciation and amortisation	27	(47 099 209)	(41 260 038)
Impairment loss		(3 407)	-
Finance costs	28	(278 000)	(626 892)
Debt impairment		(1 878 729)	(1 960 848)
Collection costs		(252 138)	(349 249)
Repairs and maintenance		(6 739 631)	(6 021 897)
Bulk purchases	31	(1 866 668)	(2 218 153)
General Expenses	23	(58 951 291)	(50 774 455)
Total expenditure		**(240 002 846)**	**(211 133 246)**
Operating surplus		**9 656 971**	**53 278 658**
Gain on disposal of assets and liabilities		59 116	20 976
Actuarial gain or loss		(3 057 000)	(93 108)
		(2 997 884)	**(72 132)**
Surplus for the year		**6 659 087**	**53 206 526**

* See Note 2 & 36

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	**299 366 885**	**299 366 885**
Changes in net assets		
Surplus for the year	53 206 526	53 206 526
Total changes	53 206 526	53 206 526
Opening balance as previously reported	352 573 411	352 573 411
Adjustments		
Correction of errors	162 297 958	162 297 958
Restated* Balance at 01 July 2013 as restated*	**514 871 369**	**514 871 369**
Changes in net assets		
Surplus for the year	6 659 087	6 659 087
Total changes	6 659 087	6 659 087
Balance at 30 June 2014	**521 530 456**	**521 530 456**

Note(s)

* See Note 2 & 36

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Taxation		5 866 352	11 118 819
Sale of goods and services		6 834 865	10 642 715
Grants		229 279 015	231 974 565
Interest income		4 589 173	3 477 949
Other receipts		7 748 327	2 461 889
		254 317 732	259 675 937
Payments			
Employee costs		(122 953 773)	(108 548 605)
Suppliers		(65 400 671)	(48 852 733)
Finance costs		(278 000)	(626 892)
Other payments		-	(442 356)
		(188 632 444)	(158 470 586)
Net cash flows from operating activities	32	**65 685 288**	**101 205 351**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(35 564 352)	(85 489 786)
Proceeds from sale of property, plant and equipment	5	233 634	20 976
Purchase of other intangible assets	6	(225 250)	(23 409)
Proceeds from sale of financial assets		(3 407)	-
Net cash flows from investing activities		**(35 559 375)**	**(85 492 219)**
Cash flows from financing activities			
Finance lease payments		(891 907)	(1 175 025)
Net increase/(decrease) in cash and cash equivalents		**29 234 006**	**14 538 107**
Cash and cash equivalents at the beginning of the year		61 826 464	47 288 358
Cash and cash equivalents at the end of the year	12	**91 060 470**	**61 826 465**

* See Note 2 & 36

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4 099 866	-	**4 099 866**	3 470 257	**(629 609)**	15% - N1
Rental of facilities and equipment	2 321 988	-	**2 321 988**	2 114 023	**(207 965)**	9% - accept
Interest received (trading)	1 573 407	-	**1 573 407**	2 911 929	**1 338 522**	85% - N2
Income from agency services	2 937 002	-	**2 937 002**	2 709 269	**(227 733)**	8% - accept
Licences and permits	1 081 928	-	**1 081 928**	953 033	**(128 895)**	10% - accept
Other income	997 497	-	**997 497**	651 992	**(345 505)**	Immaterial balance
Interest received - investment	2 500 000	-	**2 500 000**	4 589 173	**2 089 173**	84% - N3
Total revenue from exchange transactions	**15 511 688**	**-**	**15 511 688**	**17 399 676**	**1 887 988**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	13 566 246	-	**13 566 246**	11 713 236	**(1 853 010)**	
Government grants & subsidies	167 913 538	7 118 995	**175 032 533**	219 174 895	**44 142 362**	
Transfer revenue						
Fines	1 645 940	-	**1 645 940**	1 372 010	**(273 930)**	Immaterial amount
Total revenue from non-exchange transactions	**183 125 724**	**7 118 995**	**190 244 719**	**232 260 141**	**42 015 422**	
Total revenue	**198 637 412**	**7 118 995**	**205 756 407**	**249 659 817**	**43 903 410**	
Expenditure						
Personnel	(113 714 596)	8 197 579	**(105 517 017)**	(100 779 050)	**4 737 967**	4.6% cost saving
Remuneration of councillors	(21 091 073)	(341 997)	**(21 433 070)**	(22 154 723)	**(721 653)**	3% - accept
Depreciation and amortisation	(31 544 564)	-	**(31 544 564)**	(47 099 209)	**(15 554 645)**	N5
Impairment loss/ Reversal of impairments	-	-	**-**	(3 407)	**(3 407)**	accept
Finance costs	(3 667 889)	230 871	**(3 437 018)**	(278 000)	**3 159 018**	N6
Debt impairment	(4 833 185)	(3 407)	**(4 836 592)**	(1 878 729)	**2 957 863**	N7
Collection costs	-	-	**-**	(252 138)	**(252 138)**	accept

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Repairs and maintenance	(6 068 537)	(161 889)	**(6 230 426)**	(6 739 631)	**(509 205)**	2.5% - acept
Bulk purchases	(4 000 000)	-	**(4 000 000)**	(1 866 668)	**2 133 332**	N8
General Expenses	(49 949 075)	(15 040 152)	**(64 989 227)**	(58 951 291)	**6 037 936**	N9
Total expenditure	**(234 868 919)**	**(7 118 995)**	**(241 987 914)**	**(240 002 846)**	**1 985 068**	
Operating surplus	**(36 231 507)**	**-**	**(36 231 507)**	**9 656 971**	**45 888 478**	
Gain on disposal of assets and liabilities	-	-	**-**	59 116	**59 116**	
Actuarial gain or loss	-	-	**-**	(3 057 000)	**(3 057 000)**	N10
	-	**-**	**-**	**(2 997 884)**	**(2 997 884)**	
Surplus before taxation	**(36 231 507)**	**-**	**(36 231 507)**	**6 659 087**	**42 890 594**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(36 231 507)**	**-**	**(36 231 507)**	**6 659 087**	**42 890 594**	

N1 - Management over-budgeted on services in the current year. Revenue figures have increased year on year.

N2 - Interest was under-budgeted in the current year. As this relates to outstanding debtors, the net effect on the income statement is negligible as most of these will be included in the provision for doubtful debts.

N3 - Management managed to secure their investments for longer periods than hoped for in the investment accounts and therefore obtained a better return on investment in the current year.

N4 - In the current year management under-budgeted for the rebates on rates. This has reduced their expected revenue for the year. There were also certain properties that were earmarked for supplementary valuation in the 2014 year. However, this was not implemented as management was in the process of updating the valuation roll.

N5 - The municipality identified numerous property, plant and equipment items in the current year that were not identified in prior years. This has resulted in an increase in budgeted expenditure.

N6 - Management had planned funding for a plant lease project but owing to the costs involved, determined that the investment was not worth pursuing.

N7 - A large portion of the debtors book has aged poorly and management adopted the prudent approach in budgeting for the bad debt provision.

N8 - Management had anticipated an increase in useage based on its plans as detailed in N6 above, as well as the developments in Butterworth surrounding the new mall. They had also overbudgeted on services and there is therefore an associated overbudgeting of direct costs.

N9 - Management undertook and completed numerous projects during the year based on grant funding, particularly electrification projects. These projects have pushed up total expenditure.

N10 - This relates to an actuarial gain on the long-service award and was not budgeted for.

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

Municipalities are required to apply the standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the following Standards of GRAP:
GRAP 1 Presentation of Financial Statements (as revised in 2012)
GRAP 2 Cash Flow Statements (as revised in 2010)
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2012)
GRAP 4 The Effects of Changes in Foreign Exchange Rates (as revised in 2010)
GRAP 5 Borrowing Costs
GRAP 7 Investments in Associate (as revised in 2012)
GRAP 9 Revenue from Exchange Transactions (as revised in 2012)
GRAP 10 Financial Reporting in Hyperinflationary Economies (as revised in 2010)
GRAP 11 Construction Contracts (as revised in 2010)
GRAP 12 Inventories (as revised in 2012)
GRAP 13 Leases (as revised in 2012)
GRAP 14 Events After the Reporting Date (as revised in 2010)
GRAP 16 Investment Property (as revised in 2012)
GRAP 17 Property Plant and Equipment (as revised in 2012)
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
GRAP 25 Employee benefits
GRAP 27 Agriculture
GRAP 31 Intangible Assets
GRAP 100 Non-current Assets held for Sale and Discontinued Operations (as revised in 2010)
GRAP 21 Impairment of non-cash-generating assets
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 26 Impairment of cash-generating assets
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments

Please refer to note 2 for details of new standards effective and standards that have been approved but are not yet effective.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1.3 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of valuein-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	10 to 100 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality has land and buildings, including vacant land that is classified as investment property. In terms of the Local Government Municipal Properties Rates Act of 2004, the municipality is required to perform general valuation once every four (4) years. The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Therefore fair value cannot be measured reliably at each reporting date.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

1.5 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Infrastructure	
• Roads and paving	10 - 30 years
• Access Roads	3 - 10 years
• Pedestrian Malls	30 years
• Electricity	10 - 25 years
• Water	15 - 20 years
• Sewerage	15 - 20 years
Community	
• Buildings	10 - 100 years
• Recreational facilities	20 - 30 years
• Security	5 years
• Halls 30 years	30 years
• Libraries	30 years
• Parks and gardens	20 - 30 years
• Other assets	20 - 30 years

1.5 Property, plant and equipment (continued)

Other property, plant and equipment

• Buildings	30 years
• Specialist vehicles	10 years
• Other vehicles	5 years
• Office Equipment	3 - 16 years
• Furniture and Fittings	3 - 23 years
• Watercraft	15 years
• Bins and Containers	5 years
• Specialised plant and equipment	15 years
• Other items of plant and equipment	5 - 23 years
• Computer Equipment	3 years
• Plant and Machinery	5 - 31 years
• Landfill Site	20 - 50 years
Finance lease assets	
• Motor vehicles	4 - 27 years
• Office equipment	4 - 27 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	5 years

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

1.8 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

1.9 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

1.9 Financial instruments (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost
Bank	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Accounting Policies

1.11 Inventories (continued)

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.12 Impairment of cash-generating assets (continued)

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

1.13 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.13 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.14 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Accounting Policies

1.15 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Service charges relating to refuse are based on the tariffs set per the tariff policy.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

1.17 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

1.17 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/04/10 to 31/03/11.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 25: Employee benefits

There is no aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2013 as the GRAP standard has been aligned to the previous associated standard of IFRS on which the accounting policy was previously based.

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 7 (as revised 2012): Investments in Associates

Paragraph .17 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 13 (as revised 2012): Leases

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 16 (as revised 2012): Investment Property

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:
- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IGRAP16: Intangible assets website costs

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annul reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2014 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity’s annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

There is no aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements as these policies are aligned to their associated or predecessor standards in all material respects.

4. Investment property

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	717 334	-	717 334	717 334	-	717 334

Reconciliation of investment property - 2014

	Opening balance	**Total**
Investment property	717 334	717 334

Reconciliation of investment property - 2013

	Opening balance	**Total**
Investment property	717 334	717 334

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The municipality has land and buildings, including vacant land that is classified as investment property. In terms of the Local Government Municipal Properties Rates Act of 2004, the municipality is required to perform general valuation once every four (4) years. The investment property held in the books of the municipality is not actively traded as the mandate of the municipality also includes local economic development. As such properties may be earmarked for local economic development. Thus, their trade value will be based on the proposal that impacts positively on economic growth. Therefore fair value cannot be measured reliably at each reporting date.

The land and buildings within the Municipality are valued as a single amount in the Fixed asset registers and no separation has been made thus depreciation is charged on the total value of the property. This is as a result of the fact that land owned by the Municipality was acquired for no cost.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	2 034 862	2 093 048

There are no contractual commitments for the acquisition, construction, development or repair and maintenance of investment properties in the municipality.

5. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	22 975 976	-	22 975 976	22 975 976	-	22 975 976
Buildings	50 772 636	(37 730 020)	13 042 616	50 488 336	(34 650 139)	15 838 197
Plant and machinery	8 373 084	(2 684 238)	5 688 846	7 908 213	(1 837 741)	6 070 472
Furniture and fixtures	5 159 463	(2 189 535)	2 969 928	4 595 060	(1 368 820)	3 226 240
Motor vehicles	14 855 449	(4 819 199)	10 036 250	12 989 085	(2 585 337)	10 403 748
Office equipment	5 487 194	(2 467 597)	3 019 597	4 407 554	(1 478 751)	2 928 803
Infrastructure	686 341 037	(279 568 782)	406 772 255	653 819 775	(245 934 093)	407 885 682
Community	32 792 321	(21 325 396)	11 466 925	32 792 321	(19 324 929)	13 467 392
Other property, plant and equipment	300 272	(156 964)	143 308	300 272	(116 255)	184 017
Housing development fund	59 426 593	(47 220 963)	12 205 630	59 426 593	(43 830 946)	15 595 647
Total	**886 484 025**	**(398 162 694)**	**488 321 331**	**849 703 185**	**(351 127 011)**	**498 576 174**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Disposals**	**Other changes, movements**	**Depreciation**	**Total**
Land	22 975 976	-	-	-	-	22 975 976
Buildings	15 838 197	284 300	-	-	(3 079 881)	13 042 616
Plant and machinery	6 070 472	464 871	-	-	(846 497)	5 688 846
Furniture and fixtures	3 226 240	564 403	-	-	(820 715)	2 969 928
Motor vehicles	10 403 748	2 022 465	(156 101)	-	(2 233 862)	10 036 250
Office equipment	2 928 803	1 098 057	(18 417)	-	(988 846)	3 019 597
Infrastructure	407 885 682	31 130 256	-	1 391 007	(33 634 690)	406 772 255
Community	13 467 392	-	-	-	(2 000 467)	11 466 925
Security Measures	184 017	-	-	-	(40 709)	143 308
Housing development fund	15 595 647	-	-	-	(3 390 017)	12 205 630
	498 576 174	**35 564 352**	**(174 518)**	**1 391 007**	**(47 035 684)**	**488 321 331**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Transfers**	**Depreciation**	**Total**
Land	22 975 976	-	-	-	22 975 976
Buildings	18 626 025	261 508	-	(3 049 336)	15 838 197
Plant and machinery	4 301 462	2 517 867	-	(748 857)	6 070 472
Furniture and fixtures	3 092 572	799 864	12 100	(678 296)	3 226 240
Motor vehicles	9 828 243	633 532	1 192 000	(1 250 027)	10 403 748
Office equipment	2 550 582	1 001 081	8 500	(631 360)	2 928 803
Infrastructure	357 783 954	79 555 338	-	(29 453 610)	407 885 682
Community	14 754 063	713 796	-	(2 000 467)	13 467 392
Security Measures	222 600	6 800	-	(45 383)	184 017
Housing development fund	18 984 973	-	-	(3 389 326)	15 595 647
	453 120 450	**85 489 786**	**1 212 600**	**(41 246 662)**	**498 576 174**

Assets subject to finance lease (Net carrying amount)

	2014	2013
Motor vehicles	10 036 250	10 403 748

Figures in Rand	2014	2013

5. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

6. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	311 760	(109 628)	202 132	86 510	(46 104)	40 406

Reconciliation of intangible assets - 2014

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	40 406	225 250	(63 524)	202 132

Reconciliation of intangible assets - 2013

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	30 373	23 409	(13 376)	40 406

7. Employee benefit obligations

Defined benefit plan

The Muncipality has a defined benefit obligation in terms of the Long Service Awards. The independent valuers, ZAQ Consultants and Actuaries ("ZAQ") have been engaged to carry out an IAS 19: Employee Benefits actuarial valuation of the Municipality's liability as at 30 June 2014 arising from the long-service leave awarded to qualifying in-service employees.

The amounts recognised in the statement of financial position are as follows:

	2014	2013
Carrying value		
Present value of defined benefit obligation	(3 708 000)	(2 988 000)
Service cost	(702 000)	(605 000)
Interest cost	(285 000)	(244 000)
Expected benefit paid	709 000	222 108
Actuarial gains/ losses	(3 057 000)	(93 108)
	(7 043 000)	**(3 708 000)**

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013
Opening balance	(2 279 892)	(1 524 000)
Net expense recognised in the statement of financial performance	2 070 000	(755 892)
	(209 892)	**(2 279 892)**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

7. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	(702 000)	(605 000)
Interest cost	(285 000)	(244 000)
Actuarial (gains) losses	3 057 000	93 108
	2 070 000	**(755 892)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.96 %	7.40 %
CPI	6.33 %	5.66 %
Expected increase in salaries	7.33 %	6.66 %

8. Inventories

Consumable stores	2 315 271	5 988 673
Assets held for distribution	6 632 538	6 663 892
	8 947 809	**12 652 565**

Inventory pledged as security

9. Receivables from exchange transactions

Trade debtors impairment	(34 708 475)	(33 652 660)
Housing rentals	13 249 070	11 939 022
Fire levy	3 396 646	3 439 781
Other debtors	48 222	17 565
Prepaid assets	200 616	200 616
Refuse	25 844 180	23 576 526
	8 030 259	**5 520 850**

Trade and other receivables impaired

As of 30 June 2014, trade and other receivables of R 34 708 475 (2013: R 33 652 660) were impaired and provided for.

The ageing of these loans is as follows:

3 to 6 months	2 699 481	2 200 080
Over 6 months	32 008 992	36 378 085

Reconciliation of provision for impairment of trade and other receivables

Opening balance	33 652 660	33 138 360
Provision for impairment	1 055 815	514 300
	34 708 475	**33 652 660**

10. Receivables from non-exchange transactions

Provision for bad debts	(54 523 640)	(53 700 727)
Rates receivable	66 747 495	60 900 611
	12 223 855	**7 199 884**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

10. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 54 523 640 (2013: R 53 700 727) were impaired and provided for.

The ageing of these loans is as follows:

3 to 6 months	4 240 624	3 773 700
Over 6 months	50 283 016	56 609 294

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	53 700 727	51 979 659
Provision for impairment	822 913	1 721 068
	54 523 640	**53 700 727**

11. VAT receivable

VAT	13 535 071	11 129 585

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	7 212 891	1 404 429
Short-term deposits	83 847 576	60 422 035
	91 060 467	**61 826 464**

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	**30 June 2013**	**30 June 2012**	**30 June 2014**	**30 June 2013**	**30 June 2012**
Primary Bank Account - FNB - Current - 62 247 497 872	7 430 448	1 559 037	3 911 973	7 299 747	1 559 037	160 861
First National Bank - MSP - 62240253188	25 036	25 024	25 037	25 036	25 024	25 037
First National Bank - MIG - 62240253542	19 205 293	5 429 217	307 004	19 205 293	5 429 217	307 004
First National Bank - Ngqamakhwe survey - 62240259615	101 385	101 333	101 333	101 385	101 333	101 333
First National Bank - FMG - 62240252768	35 484	121 828	41 992	35 484	121 828	41 992
First National Bank - Centane Survey - 62240260430	81 088	81 046	81 089	81 088	81 046	81 089
First National Bank - Siyanda Planning - 62240262105	87 824	87 779	87 779	87 824	87 779	87 779
First National Bank - Centane Planning - 62240261149	132 123	132 056	132 126	132 123	132 056	132 126
First National Bank - MSIG - 62240254003	1 487	423 030	545 867	1 487	423 030	545 867
First National Bank - Siyanda Survey - 62240259144	353 273	353 093	353 279	353 273	353 093	353 279
First National Bank - Intervention - 62240258568	23 727	23 715	23 727	23 727	23 715	23 727
First National Bank - DHLGTA - 62240254673	28 130	28 116	28 131	28 130	28 116	28 131
First National Bank - Call Account - 62240252198	50 739 791	37 226 362	38 018 186	50 739 791	37 226 362	38 018 186
First National Bank - DEAT - 62240256471	225 505	225 390	227 373	225 505	225 390	227 373
First National Bank - INEG - 6236177559	3 685 709	7 621 169	2 261 092	3 685 709	7 621 169	2 261 092
First National Bank - EPWP - 62345680195	497 777	593 480	720 127	497 777	593 480	720 127
First National Bank - 62379987640 (EDSMG)	26 872	7 006 912	-	26 872	7 006 912	-
First National Bank - 62380069437 (LGSETA)	1 166 475	787 158	-	1 166 475	787 158	-
Total	**83 847 427**	**61 825 745**	**46 866 115**	**83 716 726**	**61 825 745**	**43 115 003**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

13. Finance lease obligation

Minimum lease payments due		
- within one year	665 390	863 548
- in second to fifth year inclusive	609 940	1 018 622
	1 275 330	1 882 170
less: future finance charges	(285 069)	-
Present value of minimum lease payments	**990 261**	**1 882 170**
Present value of minimum lease payments due		
- within one year	436 581	863 548
- in second to fifth year inclusive	553 680	1 018 622
	990 261	**1 882 170**
Non-current liabilities	553 681	1 018 622
Current liabilities	436 581	863 547
	990 262	**1 882 169**

MEEG BANK: QUANTUM AND 2X TWIN CABS
The liability under a finance lease agreement is payable in monthly instalments R5 986 and R13 334 over a original period of 5 years at an interest rate of 2,5% below prime per year.

TOYOTA FINANCE: 8X TOYOTA COROLLAS
The liability under a finance lease agreement is payable in monthly instalments R28 641 and R13 334 over a period of 6 years at an interest rate of 1% below prime per year.

TOYOTA FINANCE: 1X 25 SEATER BUS
The liability under a finance lease agreement is payable in monthly instalmentsof R18 355 over a period of 5 years at an interest rate of 1% below prime per year.

TOYOTA FINANCE: 3 X TOYOTA HILUX
The liability under a finance lease agreement is payable in monthly instalments R3 962 over a period of 6 years at an interest rate of 1% below prime per year.

TOYOTA FINANCE: 1 X TOYOTA HILUX
The liability under finance lease agreement is payable in monthly instalments R4 123.50 over a period of 6 years at an interest rate of 1% below prime per year.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 5 for further details.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	19 110 868	4 165 721
MSIG	1 000	415 274
Centane Survey and Planning	212 441	212 441
Ngqamakhwe survey and planning	101 019	101 019
Municipal support programme	24 946	24 946
Siyanda survey and planning	439 504	439 504
Intervention	23 623	23 623
LG SETA	1 162 507	769 492
DHLGTA	28 029	28 029
FMG	25 106	128 586
EPWP	493 846	588 698
Electrification	3 070 551	7 691 987
Electricity Demandside Management	6 870 040	6 870 040
DEAT	224 691	224 691
	31 788 171	**21 684 051**

Movement during the year

Balance at the beginning of the year	21 684 051	5 060 732
Additions during the year	63 879 014	78 826 566
Income recognition during the year	(53 774 894)	(62 203 247)
	31 788 171	**21 684 051**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	21 527 807	1 391 007	22 918 814

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	15 333 773	6 194 034	21 527 807

The Municipality operates a landfill site in Butterworth. This site is approximately 5224 square metres. The current legislation indicates that the landfill site is and has been operating illegally as the municipality has no licence to operate the site.

Additionally it is required that this landfill site should be closed in terms of minimum requirements. The legislation however does not specify the time frame within which this must be undertaken.

During the financial year consultants were appointed to calculate the cost of rehabilitating and closing this site. The amount was calculated and has been included above as the provision for the rehabilitation and closure of the site.

Additionally during the financial year the site was not used illegally. The municipaity has applied for a licence and is awaiting approval and issue thereof in order to commence with the process of rehabilitating and closing the site.

16. Payables from exchange transactions

	2014	2013
Trade payables	20 317 895	15 606 365
Advance payment - consumer debtors	6 108 502	6 106 030
Accrued bonus	4 438 926	4 834 173
Accrued leave	8 701 487	7 259 883
Other creditors	(799 249)	183 415
	38 767 561	**33 989 866**

17. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	8 030 259	8 030 259
Receivables from non-exchange transactions	12 223 855	12 223 855
Cash and cash equivalents	91 147 323	91 147 323
	111 401 437	**111 401 437**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	32 730 727	32 730 727

2013

Figures in Rand	2014	2013

. Financial instruments disclosure (continued)

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	5 520 850	5 520 850
Receivables from non-exchange transactions	7 199 884	7 199 884
Cash and cash equivalents	61 826 464	61 826 464
	74 547 198	**74 547 198**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	29 084 866	29 084 866

18. Revenue

	2014	2013
Service charges	3 470 257	3 436 176
Rental of facilities and equipment	2 114 023	2 168 314
Interest received (trading)	2 911 929	2 461 889
Income from agency services	2 709 269	2 594 106
Licences and permits	953 033	1 013 057
Recoveries	-	615 864
Miscellaneous income	651 992	397 797
Donations	-	20 392 192
Interest received - investment	4 589 173	3 477 949
Property rates	11 713 236	11 118 819
Government grants & subsidies	219 174 895	215 351 246
Fines	1 372 010	1 384 495
	249 659 817	**264 411 904**

	2014	2013
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	3 470 257	3 436 176
Rental of facilities and equipment	2 114 023	2 168 314
Interest received (trading)	2 911 929	2 461 889
Income from agency services	2 709 269	2 594 106
Licences and permits	953 033	1 013 057
Recoveries	-	615 864
Miscellaneous income	651 992	397 797
Donations	-	20 392 192
Interest received - investment	4 589 173	3 477 949
	17 399 676	**36 557 344**

	2014	2013
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	11 713 236	11 118 819
Transfer revenue		
Government grants & subsidies	219 174 895	215 351 246
Fines	1 372 010	1 384 495
	232 260 141	**227 854 560**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

19. Property rates

Rates received

Property rates	15 390 430	15 304 005
Less: Rebates	(3 677 194)	(4 185 186)
	11 713 236	**11 118 819**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2009. Interim valuations are conducted at least once on an annual basis to take into account changes in individual property values due to alterations and subdivisions. Tariffs applied are as follows:

Residential
A general rate of R0.01532 - (2013: R 0.01532) is applied to residential property valuations to determine assessment rates. Rebates of R20 000.00 are granted to all residential property owners.

Properties with a property value of R50, 000 or more get a rebate of R20,000.

Properties with a property value of less than R50, 000 or less get a rebate of 100% on rates(exempt)

Business and Commercial
A general rate of R0.018384 - (2013: R0.018384) is applied to business and commercial property valuations to determine assessment rates. Rebates of R20 000.00 are granted to residential property owners.

Vacant and Industrial
A general rate of R0.018384 - (2013: R0.018384) is applied to vacant and indutrial property valuations to determine assessment rates. Rebates of R20 000.00 are granted to residential property owners.

Public Services
A general rate of R0.00383 - (2013: R0.00383) is applied to vacant and indutrial property valuations to determine assessment rates. Rebates of R20 000.00 are granted to residential property owners.

Small Holdings and Farms
A general rate of R0.00383 - (2013: R0.00383) is applied to vacant and indutrial property valuations to determine assessment rates. Rebates of R20 000.00 are granted to residential property owners.

Industrial
A general rate of R0.018384 - (2013: R0.018384) is applied to indutrial property valuations to determine assessment rates. Rebates of R20 000.00 are granted to residential property owners.

20. Service charges

Refuse removal	3 470 257	3 436 176

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

21. Government grants and subsidies

	2014	2013
Operating grants		
Equitable share	165 400 000	153 148 000
MSIG	1 304 274	-
District Municipality Grant	-	968 550
EDSMG (Electricity Demand Side Management Municipal Grant)	-	129 960
FMG	1 653 480	1 412 724
Mineral and energy grant	8 621 436	8 513 936
EPWP (Expanded Public Works Programme)	1 094 852	1 246 567
	178 074 042	165 419 737
Capital grants		
MIG	41 100 853	49 931 509
	41 100 853	49 931 509
	219 174 895	**215 351 246**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive the following subsidies:
1. For paraffin beneficiaries, every ward has 100 beneficiaries at 20 litre person bi-monthly
2. For all electricity beneficiaries, 50 KW per month
3. Rebates of R20,000 are granted to residential property owners.

MIG

	2014	2013
Balance unspent at beginning of year	4 165 721	282 230
Current-year receipts	56 046 000	53 815 000
Conditions met - transferred to revenue	(41 100 853)	(49 931 509)
	19 110 868	**4 165 721**

Conditions still to be met - remain liabilities (see note 14).

The above grant was financed by National Revenue Fund and was used to provide specific capital finance for basic municipal infrastructure backlogs for poor households, to micro enterprises and social institutions servicing poor communities.

MSIG

	2014	2013
Balance unspent at beginning of year	415 274	-
Current-year receipts	890 000	-
Conditions met - transferred to revenue	(1 304 274)	-
Other	-	415 274
	1 000	**415 274**

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

Centane Survey and Planning

	2014	2013
Balance unspent at beginning of year	212 441	212 441

Conditions still to be met - remain liabilities (see note 14).

The above grant was financed by the Department of Housing and was used for planning and surveying.

Figures in Rand	2014	2013

21. Government grants and subsidies (continued)

Ngqamakhwe Survey and planning

Balance unspent at beginning of year	101 019	101 019

Conditions still to be met - remain liabilities (see note 14).

The above grant was financed by the Department of Housing and was used for planning and surveying.

Municipal Support Programme

Balance unspent at beginning of year	24 946	24 946

Conditions still to be met - remain liabilities (see note 14).

The grant was received from the Department of Local Government and Traditional Affairs and was used to assist municipalities in building in–house capacity to perform their functions and stabilise institutional and governance systems.

Siyanda Survey and Planning

Balance unspent at beginning of year	439 504	439 504

Conditions still to be met - remain liabilities (see note 14).

The grant was received from the Department of Housing and was used for planning and surveyin.

T/A Intervention

Balance unspent at beginning of year	23 623	23 623

Conditions still to be met - remain liabilities (see note 14).

LG SETA

Balance unspent at beginning of year	769 492	269 926
Current-year receipts	393 014	499 566
	1 162 506	**769 492**

Conditions still to be met - remain liabilities (see note 14).

The grant was received from the Department of Local Government Sectorial Education Training and was used for the training of staff.

DHLGTA

Balance unspent at beginning of year	28 029	28 029

Conditions still to be met - remain liabilities (see note 14).

The grant was received from the(Department of Housing, Local Government and Traditional Affairs). This grant was utilised for housing development in the Butterworth area.

FMG

Balance unspent at beginning of year	128 586	41 310
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 653 480)	(1 412 724)

Figures in Rand	2014	2013

21. Government grants and subsidies (continued)

	25 106	**128 586**

Conditions still to be met - remain liabilities (see note 14).

The grant was received from National Tresury and was mainly used for budget reforms and financial management reforms.

EPWP

Balance unspent at beginning of year	588 698	663 265
Current-year receipts	1 000 000	1 172 000
Conditions met - transferred to revenue	(1 094 852)	(1 246 567)
	493 846	**588 698**

Conditions still to be met - remain liabilities (see note 14).

The grant was received from the Department of Public Works to subsidise non–profit organisations in home and community based care via the provincial departments of Health and Social Development, to provide stipends to previously unpaid volunteers to maximise job creation and skills development in line with the Expanded Public Works Programme guidelines.

Electrification

Balance unspent at beginning of year	7 691 987	2 205 923
Current-year receipts	4 000 000	14 000 000
Conditions met - transferred to revenue	(8 621 436)	(8 513 936)
	3 070 551	**7 691 987**

Conditions still to be met - remain liabilities (see note 14).

The grant was received from the Department of Energy to implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Electricity Demandside Management

Balance unspent at beginning of year	6 870 040	-
Current-year receipts	-	7 000 000
Conditions met - transferred to revenue	-	(129 960)
	6 870 040	**6 870 040**

Conditions still to be met - remain liabilities (see note 14).

The grant was received from the Department of Energy to implement the Electricity Demand Side Management (EDSM) programme by providing capital subsidies to licensed distributors to address EDSM in residential dwellings, communities and commercial buildings in order to mitigate the risk of load shedding and supply interruptions.

DEAT Investment

Balance unspent at beginning of year	224 691	224 691

Conditions still to be met - remain liabilities (see note 14).

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

22. Other revenue

Recoveries	-	615 864
Miscellaneous income	651 992	397 797
Donations	-	20 392 192
	651 992	**21 405 853**

23. General expenses

Advertising	775 957	147 605
Auditors remuneration	2 964 222	2 110 071
Bank charges	262 659	260 855
Cleaning	550 487	533 300
Commission paid	-	1 989
Consulting and professional fees	684 304	247 157
Consumables	381 928	126 699
Discount allowed	1 481 940	1 620 723
Entertainment	5 849	110 489
Flowers	854 209	975 657
Gifts	127 835	248 035
Hire	3 617 398	646 713
Insurance	432 942	341 654
Conferences and seminars	135 494	141 080
Bus Diesel	-	35 613
IT expenses	232 453	251 651
Incorporation costs	-	17 783
Lease rentals on operating lease	105 652	-
Levies	327 997	812 876
Fuel and oil	3 731 424	2 642 629
Placement fees	12 704	10 488
Postage and courier	5 148 227	4 364 313
Printing and stationery	3 031 560	(3 697 824)
Security (Guarding of municipal property)	547 009	1 169 883
Staff welfare	25 122	-
Subscriptions and membership fees	1 175	-
Training	281 644	-
Travel - local	280 141	-
Electricity	2 435 470	3 969 893
Gas	1 848	1 300
Water	1 121 966	1 385 834
Uniforms	303 898	697 759
Operating projects	18 022 501	18 580 637
Subsistence and travelling	3 711 004	3 508 728
Sundry expenses	2 171 103	930 090
Operating lease	2 137 493	2 631 913
Civic functions	801 982	339 023
Membership fees	11 484	932 002
Veterinary department	7 299	16 749
Billing charges	-	1 760 847
Other expenses	2 224 911	2 900 241
	58 951 291	**50 774 455**

Figures in Rand	2014	2013

24. Employee related costs

Basic	69 469 182	61 388 999
Bonus	4 577 004	4 935 889
Medical aid - company contributions	5 180 738	4 362 465
UIF	626 663	538 848
WCA	578 858	627 159
SDL	1 242	-
Other payroll levies	1 143 016	32 570
Leave pay provision charge	2 167 506	1 415 545
Defined contribution plans	10 476 344	9 767 127
Travel, motor car, accommodation, subsistence and other allowances	644 173	888 465
Overtime payments	1 568 044	1 638 336
Acting allowances	2 504 280	828 087
Transport allowance (bus coupons)	22 295	-
Car allowance	686 241	-
Housing benefits and allowances	83 650	81 956
Cellphone allowance	214 801	242 006
Other allowances	832 016	790 297
Relocation costs	2 997	12 105
	100 779 050	**87 549 854**

Remuneration of municipal manager

Annual Remuneration	589 678	567 034
Car Allowance	-	71 710
Contributions to UIF, Medical and Pension Funds	205 457	56 864
Cellphone allowance	58 500	42 865
Travel allowance	130 500	127 076
Leave pay	-	175 092
Back pay	47 320	31 311
Reimbursive and subsistance allowance	1 078	-
	1 032 533	**1 071 952**

Remuneration of chief finance officer

Annual Remuneration	707 919	316 000
Prorate Bonus (Previous position)	4 731	-
Contributions to UIF, Medical and Pension Funds	121 126	70 990
Cellphone allowance	4 000	23 500
Travel allowance	44 020	79 510
Subsistence and reimbursive allowance	14 832	-
	896 628	**490 000**

Remuneration of legal manager

Annual Remuneration	413 548	124 924
Contributions to UIF, Medical and Pension Funds	186 635	57 107
Cellphone allowance	-	8 000
Computer allowance	-	1 648
Travel allowance	90 550	49 452
Leave pay	-	22 381
	690 733	**263 512**

Remuneration of director strategic management

Annual Remuneration	230 000	-

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

24. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	49 077	-
Travel allowance	72 500	-
Cell phone allowance	32 500	-
	384 077	**-**

Audited comparative amount is zero.

Corporate and Human Resources

Annual Remuneration	184 000	554 742
Car Allowance	-	28 500
Contributions to UIF, Medical and Pension Funds	50 275	-
Travel allowance	38 000	91 173
Cell phone allowance	34 987	46 946
Reimbursive and subsistence allowance	2 600	-
Leave pay	-	87 360
Back pay	-	36 035
	309 862	**844 756**

Remuneration of Director Infrustructural Development and Planning

Annual Remuneration	184 000	564 717
Car Allowance	-	28 500
Contributions to UIF, Medical and Pension Funds	64 275	-
Cellphone allowance	20 987	44 258
Leave pay	-	179 538
Back pay	-	60 377
Travel allowance	38 000	56 597
Subsistence and reimbursive allowance	1 307	-
Acting allowance	-	5 533
	308 569	**939 520**

Director LED

Annual Remuneration	184 000	-
Contributions to UIF, Medical and Pension Funds	74 251	-
Travel allowance	38 000	-
Cell phone allowance	11 011	-
	307 262	**-**

Remuneration of Director Community Services

Annual Remuneration	184 000	428 273
Car Allowance	-	71 710
Contributions to UIF, Medical and Pension Funds	64 275	-
Travel allowance	38 000	118 439
Cell phone allowance	20 987	65 139
Back pay	-	36 035
Leave pay	-	87 360
Acting allowance	-	9 615
	307 262	**816 571**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

25. Remuneration of councillors

Executive Major	719 645	685 376
Speaker	571 665	544 443
Councillors	20 839 421	19 142 041
	22 130 731	**20 371 860**

26. Investment revenue

Interest revenue		
Bank	4 589 173	3 477 949

27. Depreciation and amortisation

Property, plant and equipment	47 099 209	41 260 038

28. Finance costs

Other interest paid	278 000	626 892

29. Auditors' remuneration

Fees	2 964 222	2 110 071

30. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	2 114 023	2 168 314

31. Bulk purchases

Electricity and parraffin	1 866 668	2 218 153

32. Cash generated from operations

Surplus	6 659 087	53 206 526
Adjustments for:		
Depreciation and amortisation	47 099 209	41 260 038
Loss on sale of assets and liabilities	(59 116)	(20 976)
Impairment deficit	3 407	-
Debt impairment	1 878 729	1 960 848
Movements in retirement benefit assets and liabilities	3 335 000	720 000
Movements in provisions	1 391 007	6 194 034
Donations received	-	(1 503 486)
Non-cash movement in rehabilitation asset	(1 391 011)	(6 194 034)
Changes in working capital:		
Inventories	3 704 756	(5 866 191)
Receivables from exchange transactions	(2 509 409)	(564 525)
Consumer debtors	(1 878 729)	-
Other receivables from non-exchange transactions	(5 023 971)	(3 816 767)
Prepayments	-	(390 228)
Payables from exchange transactions	4 777 695	2 043 443
VAT	(2 405 486)	(2 446 651)
Unspent conditional grants and receipts	10 104 120	16 623 320
	65 685 288	**101 205 351**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	78 179 105	43 415 434

The comparative amount on commitments were restated with the compilation of a detailed commitment register. Commitments are only a disclosure note and do not impact on the rest of the financial statements.
This committed expenditure relates to major capital projects and will be financed by available bank facilities, retained surpluses, government subsidies and grants, existing cash resources, funds internally generated, etc.

34. Contingencies

Wage Curve Agreement Contingency
On 21 April 2010 SALGA signed the “Categorisation and job evaluation wage curves collective agreement” (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees’ jobs per the TASK job evaluation system.
Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. The Labour Court of Appeal ruled on 14 May 2014 and upheld that SALGA had been correct to contend tah the spirit of the collective bargaining should be held a paramount to any Court decision. The collective agreement "lapsed" on 30 June 2012 and the job evaluation function now falls within the management prerogative. TASK Job Evaluation Systems might be rolled out at all municipalities to assist with the implementation of the management function. SALGA urged municipalities per circular 7 of 2014 to adhere to the collective bargaining agreements in future.

The register for cases reflecting potential legal claims and costs reflect a total of 14 cases for the period 2007 - 2012. Only one of these cases recorded a final decision at a liability cost of R85 506.02 (Case 484/2010). Almost all of the cases will attract costs in defending the matters and these cases are listed as potential claims but do not necessarily meet the probability test for further disclosure. A prudent approach do however require consideration of the potential costs involved and is estimated in the region of R1,8 million to R2,1 milion for the period ending 30 June 2012. The 2013-14 financial year reflect approximately 11 potential cases and for most of these (at least 6 cases) costs must be taxed with the potential costs already estimated at an aproximate value of R170 000 to R250 000. Almost all of these cases will attract costs in defending or taxing the relevent case and are therefore listed as potential claims, but do not necessarily meet the probability test for further disclosure. A prudent approach do hower require consideration of the potential costs involved and therefore the inclusion in this note.

35. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
	Other than key management and Councillors remuneration already disclosed in notes to these financial statements and not duplicated in this note, we ae not aware of any other related parties or related party transactions requiring disclosure.

Key management information

Class	Description	Number
Mayor	See note 25 for summary of remuneration	1
Speaker	See note 25 for summary of remuneration	1
Chief Whip	See note 25 for summary of remuneration	1
Councillors	See note 25 for summary of remuneration	8
Municipal manager	See note 24 for summary of remuneration	1
Key staff members	See note 24 for summary of remuneration	7

36. Prior period errors

Property, Plant and Equipment was incompletely recognised in prior periods and misallocated between the Property, Plant and Equipment, Inventory and Investment Property. The useful lives and residual values were not appropriately considered.

Additionally, the entity never straght lined its operating lease agreements and has therefore done so in the current year.

The municipality never calculated its accrual towards staff boneses which was done retrospectively in the current year.

2013-14 financial year restatement of comparative amounts:
1. Prepayments - Comparative amount R0,00 previously stated R390 228
2. Investment property - Comparative amount R717 334 previously stated R63 014 939
3. Property plant and equipment - Comparative amount R498 576 174 previously stated R247 318 180
4. Intangible assets - Comparative amount R40 406 previously stated R43 750

6. Donations - Comparative amount R20 392 192 previously stated R3 375 600
7. Depreciation and armotisation - Comparative amount R41 260 038 previously stated R34 642 369

Statement of cash flows
1. Cash payments to suppliers: finance costs - Comparative amount R626 892 previously stated R0.002.
2. Net cashflows from operating activities - Comparative amount R101 205 351 previously stated R67 849 470
3. Cashflows from investing activities - Comparative amount R85 492 219 previously stated R74 783 760

MSIG reconciliation note was not disclosed in the prior year although the transactions were included in the disclosed values. The inclusion of the note do not impact on any other note.

Disclosure notes prior period corrections:
1. Commitments were restated with the compilation of the new contract register, this restatement only impacts on the disclosure note.

2. Irregular expenditure was restated in the current year.

The correction of the error(s) results in adjustments as follows:

Figures in Rand	2014	2013

36. Prior period errors (continued)

Statement of financial position		
Property, plant and equipment	-	251 257 994
Inventory	-	12 652 565
Investment property	-	(62 297 605)
Straight lining of lease liability	-	(54 276)
Staff bonus provision	-	(4 834 173)
Opening Accumulated Surplus or Deficit	-	(162 297 958)
Statement of Financial Performance		
Depreciation	-	6 617 669
Donations	-	(17 016 592)

37. Comparative figures

Certain comparative figures have been reclassified.

38. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated deficits of R 521 530 456 and that the municipality's total liabilities exceed its assets by R 521 530 456.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

39. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

40. Unauthorised expenditure

Unauthorised expenditure opening balance	83 190 469	33 705 874
Unauthorised capital expenditure	6 523 362	49 484 595
	89 713 831	**83 190 469**

Unauthorised expenditur was anaysed per vote. The primary driver was depreciation and debtors impairment that increased in the current year.

41. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure opening balance	3 571 821	1 368 617
Interest on overdue accounts	132 989	442 357
ADM water loss	-	1 760 847
	3 704 810	**3 571 821**

2014
The interest on overdue accounts for 2013-14 is disclosed above as R132 989.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

41. Fruitless and wasteful expenditure (continued)

2013
1) The interest on overdue accounts of R442,357 pertains to the following:
- Interest charged by suppliers on outstanding amounts owed by the Municipality. This interest is disclose on the face of the Statement of Financial Performance.
2) The ADM water loss pertains to to the following:
- A payment which was made to ADM in vain and could have been avoided had resonable care been exercised. This loss is disclosed as part of general expenses on the face of the Statement of Financial Performance and in detail in the general expense note.

42. Irregular expenditure

	2014	2013
Opening balance	53 801 907	32 764 495
Add: Irregular Expenditure - current year	59 349 085	48 059 135
	113 150 992	**80 823 630**

42. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Deviations were approved for obtaining three written price quotations from accredited prospective suppliers even though it was possible to comply with the requirement.	Investigation committee to be appointed by council.	238 293
Expenditure exceeded R200 000 and was not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or his delegate in accordance with the SCM policy.	Investigation committee to be appointed by council.	2 618 638
Expenditure was more than R10 000 up to R200 000 and was procured without obtaining at least three written price quotations and the deviation was not approved by the CFO or his designate	Investigation committee to be appointed by council.	3 310 335
Expenditure was more than R2 000 up to R10 000 and was procured without obtaining at least three written price quotations and the deviation was not approved by the CFO or his designate	Investigation committee to be appointed by council.	1 268 927
Municipality Account or Lease Agreement requirement not attached	Investigation committee to be appointed by council.	1 017 919
Procurement of was deliberately split into parts or items of smaller value merely to avoid complying with the requirements of the SCM policy and legislation.	Investigation committee to be appointed by council.	49 500
Provider did not declare the following:i) Whether he is in the service of state or has been in the service of state for the previous 12 months;ii) If the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholders is in the service of the state, or has been in the service of the state in the previous 12 months;iii) Whether the spouse, child or parent of the provider or a director, manager, shareholder or stakeholder of a provider who is a company or cc, is in the service of the state or has been in the service of the state for the previous 12 months.	Investigation committee to be appointed by council.	1 106 941
Public invitations for competitive bids were advertised for a period shorter than the required 14 days and/or 30 days (in case of procurement above R10 million) and the deviation was not approved by the accounting officer or a properly delegated person.	Investigation committee to be appointed by council.	609 288
SCM prescripts were not always adhered to.	Investigation committee to be appointed by council.	29 072 109
Tender requirements not fully adheared to.	Investigation committee to be appointed by council.	20 057 134
		59 349 084

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2014	2013
Current year subscription / fee	699 768	32 570
Amount paid - current year	(699 768)	(32 570)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	-	51 897
Current year subscription / fee	3 078 963	2 058 174
Amount paid - current year	(3 078 963)	(2 110 071)
	-	-

PAYE and UIF

Current year subscription / fee	15 022 607	12 401 233
Amount paid - current year	(13 601 430)	(12 401 233)
	1 421 177	-

Pension and Medical Aid Deductions

Current year subscription / fee	16 944 285	14 756 484
Amount paid - current year	(16 430 905)	(14 756 484)
	513 380	-

VAT

VAT receivable	13 535 071	11 129 585

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mgandela	16 358	-	16 358

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned. Most of these related to deviations related to short-notice accommodation needs.

Incident		
Deviations from the SCM policy during the year	2 455 304	731 651

44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.